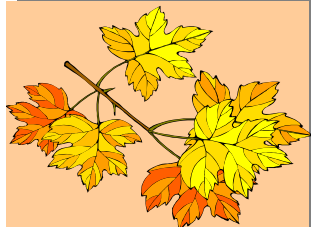


September 2003



North Dakota

REV-E-NEWS

**From Pam Sharp, Director
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Reports prepared by Economy.com, the econometric forecasting firm used by North Dakota, indicate that the national economy is improving. Real GDP growth, around 2 percent during the second quarter of 2003, is expected to improve to an annualized growth rate of at least 4 percent during the third quarter. However, for the recovery to continue, businesses must stop cutting jobs and resume hiring. The national unemployment rate in July was 6.2 percent, considerably higher than North Dakota's 3.3 percent. The North Dakota rate has declined from the 4.1 percent unemployment rate of one year ago.

Economy.com has also reported a positive outlook for U.S. agriculture. Agricultural commodity prices have increased 2.9 percent from July to August and over 9 percent since the beginning of the year. Despite strong domestic yields, U.S. wheat prices increased 17 percent in August due to lower-than-expected foreign production. Continued weak foreign production and strong export

demand is expected to push wheat prices even higher.

Federal tax cuts have increased disposable income and consumer spending. Nationally, consumer spending grew for the fifth consecutive month, boosting automotive sales. In North Dakota, automotive sales have also been strong, as reflected in motor vehicle excise tax collections.

As always, the state economies are reflections of the larger national economy. Recent state budget shortfalls have been the subject of news stories in all parts of the country. However, Economy.com has reported that due to a combination of fiscal policy and economic growth, state budget shortfalls have begun to narrow. Bolstered by federal aid, state revenues are expected to continue to improve.



Oil Activity

Oil production in July averaged 79,410 barrels per day, down slightly from June's average production of 79,492 barrels per day.

The price of oil is currently \$22 per barrel and 14 oil rigs are drilling in North Dakota compared to 11 one year ago.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
August 2003

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 <u>Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	March 2003 <u>Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	27,729,000	27,534,599	(194,401)	-0.7%	52,834,000	52,963,749	129,749	0.2%
Motor Vehicle Excise Tax	5,615,000	5,798,023	183,023	3.3%	10,582,000	11,261,229	679,229	6.4%
Individual Income Tax	14,395,000	14,031,688	(363,312)	-2.5%	35,801,000	35,504,584	(296,416)	-0.8%
Corporate Income Tax		43,310	43,310	100.0%		92,392	92,392	100.0%
Insurance Premium Tax	1,900,000	1,974,419	74,419	3.9%	1,900,000	1,974,419	74,419	3.9%
Financial Insitutions Tax		750	750	100.0%		70,643	70,643	100.0%
Oil & Gas Production Tax	1,919,000	1,571,999	(347,001)	-18.1%	4,067,000	4,536,411	469,411	11.5%
Gaming Tax	2,200,000	1,992,960	(207,040)	-9.4%	2,500,000	2,152,492	(347,508)	-13.9%
Interest Income	371,000	85,151	(285,849)	-77.0%	592,000	127,859	(464,141)	-78.4%
Oil Extraction Tax	1,301,000	1,107,711	(193,289)	-14.9%	2,757,000	2,462,688	(294,312)	-10.7%
Cigarette & Tobacco Tax	1,724,000	1,546,980	(177,020)	-10.3%	3,372,000	3,229,718	(142,282)	-4.2%
Departmental Collections	2,000,000	2,919,635	919,635	46.0%	8,099,750	33,591,706	25,491,956	314.7%
Wholesale Liquor Tax	510,000	503,459	(6,541)	-1.3%	1,069,000	1,099,727	30,727	2.9%
Coal Conversion Tax	2,090,000	2,153,028	63,028	3.0%	4,060,000	4,161,200	101,200	2.5%
Mineral Leasing Fees	350,000	387,067	37,067	10.6%	700,000	785,899	85,899	12.3%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					174,525	174,525	-	0.0%
Other Transfers	11,910,000	11,922,291	12,291	0.1%	11,910,000	11,922,291	12,291	0.1%
Total Revenues and Transfers	74,014,000	73,573,073	(440,927)	-0.6%	140,418,275	166,111,533	25,693,258	18.3%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2001-03 BIENNIUM
August 2003

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	August 2001	August 2003	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	30,044,925	27,534,599	(2,510,325)	-8.4%	53,161,756	52,963,749	(198,006)	-0.4%
Motor Vehicle Excise Tax	5,219,019	5,798,023	579,005	11.1%	9,979,853	11,261,229	1,281,376	12.8%
Individual Income Tax	14,695,401	14,031,688	(663,712)	-4.5%	32,765,964	35,504,584	2,738,620	8.4%
Corporate Income Tax	54,307	43,310	(10,997)	-20.2%	79,509	92,392	12,882	16.2%
Insurance Premium Tax	1,531,976	1,974,419	442,444	28.9%	1,531,476	1,974,419	442,944	28.9%
Financial Insitutions Tax	110,149	750	(109,399)	-99.3%	126,771	70,643	(56,128)	-44.3%
Oil & Gas Production Tax*	1,156,970	1,571,999		0.0%	3,959,719	4,536,411	576,692	14.6%
Gaming Tax	2,289,961	1,992,960	(297,002)	-13.0%	2,626,031	2,152,492	(473,540)	-18.0%
Interest Income	630,005	85,151	(544,854)	-86.5%	847,565	127,859	(719,706)	-84.9%
Oil Extraction Tax*	958,341	1,107,711		0.0%	2,075,569	2,462,688	387,119	18.7%
Cigarette & Tobacco Tax	1,896,867	1,546,980	(349,887)	-18.4%	3,687,528	3,229,718	(457,810)	-12.4%
Departmental Collections	1,289,411	2,919,635	1,630,225	126.4%	8,630,639	33,591,706	24,961,068	289.2%
Wholesale Liquor Tax	431,899	503,459	71,561	16.6%	959,444	1,099,727	140,283	14.6%
Coal Conversion Tax	2,006,564	2,153,028	146,464	7.3%	3,732,171	4,161,200	429,029	11.5%
Mineral Leasing Fees	390,334	387,067	(3,267)	-0.8%	765,142	785,899	20,757	2.7%
Bank of North Dakota-Transfer							-	
State Mill & Elevator-Transfer			-				-	
Gas Tax Admin-Transfer					170,424	174,525	4,101	2.4%
Other Transfers	62,338	11,922,291	11,859,954	19025.2%	62,338	11,922,291	11,859,954	19025.2%
Total Revenues and Transfers	62,768,464	73,573,072	10,804,608	17.2%	125,161,897	166,111,533	40,949,636	32.7%

Revenue Variances

Revenue collections for August were very close to projections, falling short by less than 1 percent. Biennium-to-date collections exceed projections by \$25.7 million, or 18.3 percent, primarily due to the federal fiscal relief payment received in July.

Sales tax collections for August were \$194,401 below the monthly projection, but still exceed biennium-to-date projections by 0.2 percent.

Motor vehicle excise tax collections exceeded the monthly projection by \$183,023, resulting in biennium-to-date collections exceeding projections by \$679,229, or 6.4 percent.

Individual income tax collections for the month fell below forecast by \$363,312 or 2.5 percent.

Because of the large amount of corporate income tax refunds expected each year at this time, most collections received during the first three months of the fiscal year are deposited into the re-

fund reserve account rather than the general fund.

Corporate income tax collections in August were \$1,043,310, of which \$1 million was transferred into the refund reserve account and the remaining \$43,310 is reported as general fund revenue.

Oil and gas production tax collections fell short of the monthly forecast by \$347,001 while collections from the oil extraction tax fell short of the monthly projection by \$193,289. These small shortages for the month were due to a refund.

Other transfers includes \$11.9 million from the permanent oil tax trust fund, which was transferred to the general fund pursuant to 2003 Senate Bill no. 2015.

Comments or Questions???

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